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Liabilities and proposed funding for after-service health insurance benefits

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the liabilities and proposed funding for after-service health insurance benefits submitted to the General Assembly at its sixty-first session (A/61/730). During its consideration of the report, the Committee met with the representatives of the Secretary-General, who provided additional information on the issue.

2. In section III of its resolution 60/255, the General Assembly recognized the end-of-service accrued benefit liabilities reported by the Secretary-General in his report on liabilities and proposed funding for after-service health insurance benefits to the sixtieth session of the Assembly (A/60/450 and Corr.1) and requested that he

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take the necessary steps to disclose those liabilities in the United Nations financial statements. The Assembly also requested the Secretary-General to submit a report at its sixty-first session giving further explanation of the after-service health insurance programme, addressing the issues raised by the Advisory Committee in its related report (A/60/7/Add.11) and providing updated information on the status of liabilities, clarifications with regard to the assumptions used to determine liabilities and alternative strategies to fund the liabilities.

3. The report of the Secretary-General to the sixty-first session provides information on the actuarial method and assumptions used for valuation of after-service health insurance liabilities (A/61/730, paras. 18-21) and estimates of the updated valuation of those liabilities (ibid., paras. 22 and 23). The report also states that the increase in the valuation of accrued liabilities from $1,484.9 million as at 31 December 2003 to $2,072,829 million as at 31 December 2005 is primarily attributable to five main sources of change, namely: (a) the rolling forward of liabilities from one financial period to another because the valuation represents a present value of future costs; (b) updated census information, which reflected an increase in the active and retiree population of covered participants since 2003; (c) updated health claims, which reflected costs that were higher than predicted; (d) updated demographic assumptions that were revised to align with recent changes made in mortality and other assumptions by the United Nations Joint Staff Pension Fund; and (e) the updated discount rate from 6 to 5.5 per cent to reflect changes in rates of return on fixed income investments (ibid., para. 24). The impact that each of those elements has had on the change in the valuation of United Nations after-service health insurance liabilities from 2003 to 2005 is summarized in annex III to the report.

4. The liability of $2,072,829 million accrued for after-service health insurance liabilities as at the end of 2005 has been estimated by a consulting actuary and represents the current value of benefits to be paid in the future to all current participants in the after-service health insurance programme and to active employees expected to retire with such benefits. The estimate is based on the same withdrawal, retirement and mortality assumptions used for the United Nations Joint Staff Pension Fund and on data for health care trends. The estimate also takes into account the fact that not all staff will become eligible or will ultimately elect to participate in the after-service health insurance programme. The report makes clear that the cited amount of after-service health insurance liability would need to be on hand and invested on the valuation date in order to pay accrued projected benefit payments in the future, and that the amount will vary over time in the light of future experience, actions to be taken by the General Assembly and changes in actuarial assumptions.

5. The Advisory Committee was informed that a number of organizations of the United Nations common system (World Health Organization (WHO), Food and Agriculture Organization of the United Nations (FAO), United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), World Food Programme (WFP), International Fund for Agricultural Development (IFAD) and World Meteorological Organization (WMO)) had begun funding their after-service health insurance liability. Upon request, information was provided on the status of such funding within the organizations of the United Nations system. This information is provided in annexes I and II to the present report. It may be noted that the International Trade Centre UNCTAD/WTO, the United Nations

University and the United Nations Institute for Training and Research (UNITAR) plan to establish funding mechanisms based on the decision of the General Assembly. The International Atomic Energy Agency (IAEA) plan of action is also likely to be influenced by the Assembly's decision on this matter.

6. **The Advisory Committee stresses that the International Public Sector Accounting Standards adopted by the General Assembly in its resolution 60/283, which are intended to be instituted system-wide by 2010, require the disclosure of after-service health insurance liabilities (see A/61/350, annex I).**

7. In the light of the expected rising level of after-service health insurance liabilities, and consistent with the International Public Sector Accounting Standards, the Secretary-General considers it appropriate to finance these liabilities as they accrue and to take measures to put aside the funds required to fully finance the liabilities that have accrued to date. These amounts would be placed in an independently segregated reserve fund. The Secretary-General has put forward five potential funding alternatives. The first four alternatives provide for either immediate full funding or eventual full funding over a period of 12 to 15 bienniums. The alternatives detailed in the report are for:

(a) Fully funding the existing liability of approximately $2.1 billion through a one-time assessment on Member States. After that assessment, full funding status would be maintained through ongoing additional assessments, estimated at about $177 million for the biennium 2006-2007;

(b) Systematically funding $550 million per biennium, estimated to achieve full funding in 12 to 13 bienniums;

(c) Applying a charge of about 13.8 per cent against salary costs on all budgets, estimated to achieve full funding in 12 to 13 bienniums;

(d) Combining the continuation of current funding arrangements under the special expenses section of the regular budget and partial funding under the peacekeeping support account for annual costs related to retirees with an initial charge of about 7 per cent against salary costs of all budget types to meet biennial service cost funding requirements;

(e) A two-tiered funding approach consisting of a one-time infusion of $503.5 million and a long-term funding strategy with systematic and flexible components, which is described in the paragraph below.

8. The Secretary-General recommends the fifth alternative, which, inter alia, provides for a one-time funding infusion of $503.5 million as follows:

(a) Transfer of $410 million in unencumbered balances and savings on cancellation of prior-period obligations under peacekeeping operations, which represents about one half of such balances and savings at the close of the financial period 2005/06;

(b) Transfer of $61.5 million from the medical and dental reserves, leaving reserve balances totalling about $91.5 million to meet future and pending claims;

(c) Transfer of $32 million from the compensation fund, leaving about $46.9 million to meet future and pending claims.

The Secretary-General points out that, on an ongoing basis, this option would provide for:

(i) Biennial regular budget appropriations and partial funding under the peacekeeping support account to cover subsidy payments in respect of current participants in the after-service health insurance programme;

(ii) A charge equivalent to 8 per cent of salary costs to be applied to the budgets to which staff salaries are charged;

(iii) Transfer of future unspent budget appropriations in the regular and peacekeeping budgets;

(iv) Transfer of any excess of actual over estimated miscellaneous income;

(v) Transfer of savings from the liquidation of prior-year obligations.

9. **In the view of the Advisory Committee, alternatives 1 and 2 would entail large assessments on Member States for the regular budget. While there is no specific time frame within which the liabilities must be fully funded, the Committee is of the view that the framework of 12 to 13 bienniums envisaged by the Secretary-General seems to be a reasonable planning horizon. The General Assembly will need to consider whether it wishes to apportion the full cost to the regular budget, or whether to apportion costs to all funding sources that give rise to costs for after-service health insurance liabilities.**

10. After-service health insurance costs are part of common staff costs, which are typically a charge on all salaries from all funding sources. However, data to support the precise attribution of after-service health insurance liabilities to different funding sources has not been compiled. Upon enquiry, the Advisory Committee was informed that the consulting actuary had been requested to analyse the actuarial valuation prepared for 2005 to identify accrued liability related to active peacekeeping staff. Further allocation was not possible for the liability related to current retirees as data regarding the funds under which they retired was not available. In the future, the Committee was informed, fund type information will be added to the census data provided to the actuary to make it possible to attribute the accrued liability for active staff across all fund types.

11. Alternatives 3 and 5 put forward scenarios for full financing in 12 to 13 bienniums, in the former case without any immediate infusion of funds, and in the latter with an immediate infusion of $503.5 million.

12. The Secretary-General proposes to constitute the cash infusion largely by transferring unencumbered balances of $410 million from active peacekeeping accounts. The Advisory Committee recalls its previous observation on this subject. **Although it acknowledged that peacekeeping budgets should fund their share of the costs of after-service health insurance, it was not clear to the Committee why active peacekeeping missions should fund an accrued liability attributable at least partially to peacekeeping operations that have closed (A/60/7/Add.11, para. 10). The Committee considers the transfer of unencumbered balances to entirely alternate uses an inappropriate financial management practice. It therefore recommends against making an exception to financial regulation 5.3 and is of the view that the balance of $410 million in unencumbered balances and savings on the cancellation of prior-period obligations under peacekeeping**

operations at the close of the financial period 2005-2006 should be returned to Member States. The Committee is concerned that a plan to use unencumbered balances systematically as part of a funding mechanism for after-service health insurance would not be transparent and could encourage over-budgeting, in addition to which it may not necessarily be actuarially substantiated.

13. **In connection with the proposed transfer of $61.5 million from the medical and dental reserves and $32 million from the compensation reserve, the Advisory Committee notes from the report of the Secretary-General that the transfer of these amounts will not endanger those reserves (A/61/730, para. 33). In light of this assurance, the Committee reiterates its previous view (see A/60/7/Add.11, paras. 12 and 13) and recommends the transfer of those amounts. Should the General Assembly approve this course of action, the estimated after-service health insurance liability would be correspondingly reduced.**

14. The Advisory Committee notes that, as indicated in the report (A/61/730, para. 34), the previously proposed transfer of $25 million from the authorized retained surplus in the United Nations General Fund is no longer part of the recommended initial infusion.

15. **With regard to the proposal to transfer the excess of actual over estimated miscellaneous income and savings from liquidation of prior-year obligations, the Advisory Committee points out that these proposals do not appear to be transparent. They would also bear no direct relationship to the distribution of liabilities arising among the different accounts.**

16. The fourth alternative combines the continuation of current funding arrangements under the special expenses section of the regular budget and partial funding under the peacekeeping support account for annual costs related to retirees, with a charge against salary costs of all budget types, to result in full funding of accrued after-service health insurance liabilities within 25 to 30 years. The components of this funding strategy are outlined in the report of the Secretary-General (ibid., subparas. 29 (a) and (b)).

17. Initial transfers to the after-service health insurance account will be invested in short- to medium-term securities managed by the United Nations Treasury (ibid., para. 41). A detailed investment strategy tailored to meet the longer-term anticipated cash flow requirements of the independently segregated after-service health insurance reserve fund will be developed subsequently. This investment strategy will be provided to the General Assembly through the Advisory Committee, should the establishment of an independently segregated after-service health insurance reserve fund be authorized and a proposed funding mechanism approved. **The Advisory Committee encourages the Secretary-General to further develop his long-term investment strategy for after-service health insurance.**

18. Upon enquiry, the Advisory Committee was informed that the main reason to hold funds (assets) accumulated to fulfil the United Nations after-service health insurance liability in a separate legal entity is to protect those funds from being used for other purposes. By holding such funds in a separate legal entity, there is greater assurance that the funds and any interest earned on them, will be used for the purpose of meeting after-service health insurance liabilities. Another reason for holding the accumulated funds (assets) in a separate legal entity is to allow the

Organization to "net off" such dedicated assets against the after-service health insurance liability and report a lower total liability. The separate legal entity must meet the requirements specified in international accounting standards before these dedicated assets can be netted off against the liability. **The Advisory Committee recommends that the General Assembly authorize the establishment of a separate special account for after-service health insurance funds.**

19. **The previous report of the Secretary-General (A/60/450, para. 19) contained proposed revisions to the after-service health insurance programme aimed at reducing the future cost of benefits. The Advisory Committee recommended approval of the proposals (A/60/7/Add.11, para. 19). In the current report, the Secretary-General resubmitted the same proposals, but with one revision. As explained in the report (A/61/730, para. 42), this modification increases the minimum period of service required for eligibility from 5 to 10 years, thereby eliminating the 5-year buy-in provision for all new staff hired after the revision is adopted. The current service requirement of 10 years for cost-sharing benefits would be retained, however, rather than increasing it to 15 years, as previously proposed. This revision to the Secretary-General's earlier proposals has been suggested in the interest of harmonization with other entities of the United Nations system. The Secretary-General is requested to provide the General Assembly with further information on the financial and other issues associated with this revision.**

20. **As regards accrued unfunded liabilities relating to retirees from the United Nations Compensation Commission, the Advisory Committee recommends approval of the funding of after-service health insurance liabilities as a part of the winding-up costs of the Commission.**

21. **The Advisory Committee also recommends that the measures proposed in the report of the Secretary-General regarding the funding of the after-service health insurance liabilities related to the International Tribunal for the former Yugoslavia and the International Criminal Tribunal for Rwanda (A/61/730, paras. 50 (d) and (e), respectively) be duly considered in order to provide for those liabilities, recognizing the temporary nature of the Tribunals.**

Annex I

Status of accumulated post-retirement benefit obligation as at 31 December 2005[a]

(Millions of United States dollars)

Organization	*Completed*	*Actuarial method*[b]	*Pay-as-you-go, current retirees*	*Accruing liability*	*Accrued liability*	*Amount funded*	*Unfunded liability*
United Nations	Yes	PUC	Yes	—[c]	2 072.8	—[c]	2 072.8
International Labour Organization	Yes	PUC	Yes	No	389.0	—	389.0
World Health Organization (as of 2003)	Yes	PUC	Yes	Yes	371.2[d]	290.0	81.2
United Nations Educational, Scientific and Cultural Organization	Yes	PUC	Yes	No	601.0	—	601.0
Food and Agriculture Organization of the United Nations	Yes	PUC	Yes[e]	Yes	533.4	135.8	397.6
United Nations Development Programme	Yes	PUC	Yes	Yes	406.9	162.0	244.9
United Nations Children's Fund (as of 2006)	Yes	PUC	Yes	Yes	292.3	90.0	202.3
Office of the United Nations High Commissioner for Refugees	Yes	PUC	Yes	No	248.6	—	248.6
International Atomic Energy Agency	Yes	PUC	Yes	No	93.0	—	93.0
International Telecommunication Union	Yes	PUC	Yes	No	160.9	—	160.9
United Nations Industrial Development Organization[f]	Yes	PUC	Yes	No	82.3	—	82.3
United Nations Population Fund[g]	Yes	PUC	Yes	No	61.6	—	61.6
World Food Programme	Yes	PUC	Yes[h]	Yes	67.9	64.7	3.2
World Intellectual Property Organization	Yes	PUC	Yes	No	41.8	—[i]	41.8
United Nations Office for Project Services	Yes	PUC	Yes	No	41.7	—	41.7
International Trade Centre UNCTAD/WTO	Yes	PUC	Yes	No	41.2	—	41.2
International Fund for Agricultural Development (as of 2006)	Yes	PUC	Yes	Yes	32.9	32.9	—[j]
International Civil Aviation Organization	Yes	n/a	Yes	No	36.2	—	36.2
International Criminal Tribunal for Rwanda	Yes	PUC	Yes	No	24.7		24.7
World Meteorological Organization[k]	Yes	PUC	Yes	Yes	15.6	1.1	14.5
International Tribunal for the Former Yugoslavia	Yes	PUC	Yes	No	17.5	—	17.5
United Nations University	Yes	PUC	Yes	No	3.6	—	3.6
United Nations Institute for Training and Research	Yes	PUC	Yes	No	1.9	—	1.9
United Nations Compensation Commission	Yes	PUC	Yes	No	2.9	—	2.9
Total					**5 640.9**	**704.5**	**4 936.4**

[a] The accrued liability represents the present value of benefits (net of retiree contributions) that has accrued from the date of the employees' hire to the valuation date. In some cases the reporting date is as at 31 December 2003 or 31 December 2006.

[b] PUC is the projected unit credit method.

[c] The United Nations has been accounting and paying for after-service health insurance liabilities on a pay-as-you-go basis with the accrued liability disclosed in the notes to the financial statements. On the basis of section III of General Assembly

resolution 60/255, the accrued liability will be disclosed in the 31 December 2006 interim financial statement. The General Assembly is being requested to approve an amount of $503.5 million for the initial funding of the accrued liability as well as various proposals for long-term funding arrangements.

[d] The global estimated liability of WHO as at 31 December 2003 is $371.2 million, of which $290.0 million is funded as at 31 December 2006.

[e] Formerly paid on a pay-as-you-go basis. Post-retirement funds have now been established and a liability of $145.1 million has been recorded at 31 December 2005, of which $135.8 million has been funded (as per the market value of the investments at 31 December 2005).

[f] Reflects the accrued liability as at 31 December 2005.

[g] UNFPA has reserved an amount of $12 million for 2006 and has also started to levy a 4 per cent charge on the payroll, which will result in an incremental reserve of approximately $2.2 million for 2006, resulting in a total of $14.2 million funded by 31 December 2006.

[h] The accrued liability in the accounting valuation is $94.6 million. The accrued liability using a higher discount rate for funding is $67.9 million.

[i] The actuarial valuations of WIPO are done in Swiss francs; 54.7 million Swiss francs are equivalent to $41.8 million.

[j] IFAD has fully funded the after-service medical benefit liability. The liability reflects the actuarial valuation results as at 31 December 2006.

[k] The liability pertaining to retired staff is valued in United States dollars and for active staff in Swiss francs.

Annex II

United Nations funds, programmes and other organizations

1. The present annex provides an overview of the estimates and details pertaining to the recognition and funding of the accrued liability and "current service costs" for other United Nations programmes and organizations as at 31 December 2005. It should be noted that for the World Health Organization (WHO) the figures are as at 31 December 2003 and for the United Nations Children's Fund (UNICEF) and the International Fund for Agricultural Development (IFAD) the figures are as at 31 December 2006. The data is based on information obtained from the respective organizations.

International Trade Centre UNCTAD/WTO

2. The actuarial study carried out as part of a joint study estimated the accrued liability for the International Trade Centre UNCTAD/WTO (ITC) as at 31 December 2005 to be $41.2 million. ITC has not yet put any funding measures in place. It plans to establish a funding mechanism based on the decision of the General Assembly with respect to the United Nations proposals put forward in the present report.

United Nations University

3. The net accrued liability of the United Nations University (UNU) at 31 December 2005 as determined by the actuarial study is $3.6 million. UNU has not yet funded any portion of the liability, but plans to establish a funding mechanism based on the decision of the General Assembly with respect to the United Nations proposals put forward in the present report.

United Nations Institute for Training and Research

4. The net accrued liability at 31 December 2005 attributable to the United Nations Institute for Training and Research (UNITAR) is determined to be $1.9 million. UNITAR has not yet put any funding measures in place. It plans to establish a funding mechanism in line with that approved by the General Assembly for the United Nations.

United Nations Children's Fund

5. The actuarial valuation, which was a part of a joint study by Mercer Human Resource Consulting, estimates the accrued liability (net of offset of retiree contributions) of UNICEF at 31 December 2005 at $292.3 million. In 2005, UNICEF established a reserve of $90 million to partially fund the estimated liability.

6. UNICEF is gradually increasing its funded reserve for after-service health insurance from its regular resources. By the end of 2006, the funded reserve was $90 million against the net accrued liability estimated to be $292.3 million. The UNICEF Executive Board has approved the gradual increase of this funded reserve to reach $180 million by the end of the current medium-term strategic plan in 2009.

United Nations Development Programme

7. The actuarial study determined the net accrued liability of the United Nations Development Programme (UNDP) for after-service health insurance benefits at 31 December 2005 to be $406.9 million. UNDP has funded $54.0 million for each of the bienniums ended 31 December 2001 to 2005. On a cumulative basis, UNDP has funded $162 million for after-service health insurance liabilities as at 31 December 2005. The amount set aside is over and above disbursements by UNDP for after-service health insurance for current retirees, which were included as part of the biennial support budget expenditure. UNDP is now accounting for future costs for current employees by accruing current service costs on an annual basis.

United Nations Population Fund

8. The actuarial study for the United Nations Population Fund (UNFPA) conducted as a part of the joint study shows an estimated accrued liability (net of offset from retiree contributions) of $61.6 million as at 31 December 2005. UNFPA has not specifically provided for these accrued liabilities. Expenditures are charged against the budget appropriations of the periods when actual payments are made for current retiree benefits.

9. In 2006, UNFPA started a modest effort to fund this liability. A one-time amount of $12 million has been reserved against prior period liability. A 4 per cent charge has been introduced on all payrolls to partially fund the current portion of this liability. This will result in an incremental reserve of approximately $2.2 million. Therefore, at 31 December 2006, UNFPA expects to have funded about $14.2 million.

United Nations Office for Project Services

10. The actuarial valuation carried out as part of the joint study estimates the accrued liability for the United Nations Office for Project Services (UNOPS) at $41.7 million.

11. In line with some other United Nations agencies, UNOPS commenced accruing for the biennial cost of after-service health insurance benefits expenditures in 2004-2005 based on the actuarial review and in order to correctly account for these expenditures as they are incurred. The unrecorded liabilities for after-service health insurance benefits at 31 December 2005 therefore amounted to $41.7 million ($37.5 million in 2003). However, the unrecorded liability is mainly represented by current retirees and active employees currently eligible to retire whose service was only partly incurred with UNOPS.

12. UNOPS will consider the funding of the provision made and the accrual for past years liabilities not recorded. UNOPS will explore solutions with its actuaries to cover the accumulated liability for past years service not recorded.

Office of the United Nations High Commissioner for Refugees

13. The actuarial report for the Office of the United Nations High Commissioner for Refugees (UNHCR) estimates accrued liabilities as at 31 December 2005 of $248.6 million, made up of $68.8 million for current retirees, $65.4 million for active staff currently eligible to retire and $114.4 million for active staff not yet eligible to retire.

14. The current subsidy relating to retiree premiums is included in the corresponding annual programme budget and the actual costs incurred in each financial period are reported as current year expenditure. UNHCR has not created any reserve to fund the liability for after-service health insurance benefits nor are any plans in place to accrue the estimated service costs.

Food and Agriculture Organization of the United Nations

15. The actuarial valuation as at 31 December 2005 for the Food and Agriculture Organization of the United Nations (FAO) estimated an accrued past service liability of $533.4 million of which $340.7 million related to retired staff members and $192.7 million related to active staff members. Some $135.8 million of the total liability was funded at 31 December 2005 (using the market value of the investments) and $145.1 million of the total liability was recorded in the financial statements of FAO at 31 December 2005.

16. The principal assumptions used were: a discount rate of 4.5 per cent; expected salary increases of 2.5 per cent; medical cost increases of 6.5 per cent declining linearly to 4.5 per cent over 10 years; and general inflation of 2.0 per cent. Beginning in 1998, FAO has accounted for the annual costs of employees in active service by accruing these costs, while providing for the amortization of the prior service liability over a 30 year period.

17. FAO is partially funding the accrued liability for prior service from any excess of investment income over the requirements for other schemes such as the separation payments scheme and the staff compensation plan. The FAO Conference, recognizing that funding from excess investment income was insufficient to close the funding deficit, approved an additional biennium contribution from Member States of $14 million starting from the biennium 2004-2005. However, recognizing that this additional contribution is still insufficient to achieve full funding of the past service liability over the amortization period the amounts to be approved for future funding will be reviewed in subsequent bienniums.

International Fund for Agricultural Development

18. From 2006, IFAD has had a stand-alone actuarial valuation performed. The actuarial valuation estimated a total accrued liability of $32.9 million at 31 December 2006. IFAD has fully funded related assets which are held in a legally separate trust fund amounting to some $32.9 million. Beginning in 2006 IFAD has accounted for the full annual cost of the current service cost as current year expenditure even though it exceeds the related provisions in the administrative budget. Any actuarial losses incremental to the current service costs are recorded in the income statement outside the administrative budget.

World Food Programme

19. The valuation of after-service health insurance benefits for the World Food Programme (WFP) was part of a joint study of the multiorganization scheme administered by FAO in 1997. The study estimated the accrued liability of WFP to be $44.8 million. This amount was fully funded based on approval by the WFP Executive Board in 1999. WFP commissioned separate studies for 2000-2001, 2002-2003 and 2004-2005. The actuarial assumptions used to determine the accrued liability at 31 December 2005 are: discount rate of 4.75 per cent (accounting),

discount rate of 6.5 per cent (funding), expected salary increases of 2.5 per cent, medical cost increases of 5.5 per cent and general inflation of 2.0 per cent.

20. The study estimated the accrued liabilities for after-service health insurance benefits to be $94.6 million. This results in an excess of actuarial liabilities over assets ($64.7 million) of $29.8 million. Using a higher discount rate for funding results in an unfunded liability of $3.2 million.

United Nations Educational, Scientific and Cultural Organization

21. The actuarial consultants' report for the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates an accrued liability for after-service health insurance benefits at 31 December 2005 of $601.0 million.

22. The figure results from a comprehensive actuarial study carried out by Towers Perrin in accordance with International Accounting Standard 19. The significant increase over the 2003 amount is explained by the use of a reduced discount factor and a substantial increase in the average claim cost.

23. There are no plans for funding the liability or any proposals to recognize current service cost for the current biennium. UNESCO provides resources to pay current retiree premiums in a specific budget line during the year of operation.

International Labour Organization and International Telecommunication Union

24. The International Labour Organization (ILO) and the International Telecommunication Union (ITU) share a staff health insurance fund. The latest actuarial valuation dated April 2006 projected the liability through December 2005 in accordance with International Financial Reporting Standard 19. The assumptions are: medical cost inflation of 5 per cent declining to 3 per cent over 10 years, a discount factor of 4.5 per cent, general inflation of 2.0 per cent and salary increases of 2.5 per cent.

International Labour Organization

25. The accrued liability of ILO at 31 December 2005 is estimated at $388.6 million. ILO expenses payments of benefits in respect of retired staff on a pay-as-you-go basis, charging the regular budget for premiums in the financial period in which they are paid. ILO has made no provision for current service costs and has no plans to fund the accrued liability pending decisions by the General Assembly which would inform discussions in the ILO Governing Body.

International Telecommunication Union

26. The accrued liability of the International Telecommunication Union (ITU) at 31 December 2005 is estimated at $160.9 million. ITU expenses payments of benefits to retired staff on a pay-as-you-go basis, charging its contributions to the staff health insurance fund in the biennium that they are paid, and makes no provision for current service costs of active staff members. There are no plans to fund the accrued liability at this time.

World Health Organization

27. The World Health Organization (WHO) was the first organization to recognize the need to make provisions for post-retirement benefits and in this context funded part of the unfunded accrued liability by special annual contributions starting in 1989. The Organization established a reserve (Reserve 470.2) under paragraph 470 of the rules of the Staff Health Insurance Plan. As at 31 December 2006, the assets of the Plan amounted to $350 million of which $290 million are to be allocated to the specific 470.2 Reserve.

28. The WHO actuarial study dates from July 2004. The WHO accrued liability following Financial Accounting Standard 106 methodology, using a discount rate of 6.25 per cent, was estimated at $232.8 million with respect to retirees and $138.4 million for active staff (for a global estimated liability of $371.2 million as at 31 December 2003).

29. WHO will have a comprehensive actuarial study carried out in 2007 which should provide up-to-date projections of future liabilities for the Plan. In addition, an asset/liability study will be conducted to assist the Organization in its evaluation of the investment strategy for the Plan's assets.

Universal Postal Union

30. In view of the relatively minor amounts involved, the Universal Postal Union does not estimate the value of after-service medical benefits nor does it account for the liability.

World Meteorological Organization

31. An actuarial study of the accumulated liabilities for after-service health benefits for the World Meteorological Organization (WMO) as at 31 December 2005 estimated $8.9 million for retired staff and 8.8 million Swiss francs (equivalent to $6.7 million based on the 31 December 2005 operational rate of exchange) for active staff. The amounts have not been included in the financial statements but were disclosed in the notes to the statements. WMO had been making its contributions to after-service medical costs on a "pay-as-you-go" basis, and, beginning in 2002 is funding the reserve for post-retirement benefits with a 2 per cent loading on payroll costs. The balance of the reserve amounted to 1.5 million Swiss francs ($1.1 million) at 31 December 2005.

World Intellectual Property Organization

32. At the end of 2005, the liability for post-service medical benefits for staff members of the World Intellectual Property Organization (WIPO) was estimated at 54.7 million Swiss francs (based on an actuarial evaluation carried out in December 2005) and the separation from service-benefits at 16.2 million Swiss francs (based on an evaluation at the same date). These figures are disclosed in a note to the financial statements. Also, end of December 2005, WIPO had accrued 11.1 million Swiss francs for separation from service benefits and 12.7 million Swiss francs for after-service health insurance benefits.

United Nations Industrial Development Organization

33. On the basis of an actuarial study carried out in 2006, the estimated accrued liability of the United Nations Industrial Development Organization (UNIDO) is $82.3 million (equivalent to 69.6 million euros). The study is based on the census data as at 1 January 2006, using United Nations Joint Staff Pension Fund's withdrawal, retirement and mortality assumptions, a health care trend rate of 6.75 per cent, and a discount rate of 5.5 per cent. There has been no funding of the liability nor are there any plans to expense current service costs in the present biennium; instead actual payments are recorded on a pay-as-you-go basis and reported as expenditures of the current period.

International Atomic Energy Agency

34. The International Atomic Energy Agency (IAEA) conducted an actuarial valuation of post-retirement health insurance benefits using the projected unit credit cost method. The accrued liability at 31 December 2005 was projected to be $93 million based on assumptions of an interest rate of 8.5 per cent and a medical inflation rate of 6 per cent.

35. No provision has yet been made to accrue the current service costs or fund the liability, although IAEA is currently considering various funding options and continues to estimate and disclose these liabilities. The manner in which the Agency ultimately deals with this issue will be heavily influenced by decisions taken in the General Assembly relative to United Nations Secretariat proposals on treatment of the United Nations after-service health insurance liabilities.

International Civil Aviation Organization

36. An actuarial study for the International Civil Aviation Organization (ICAO) estimated the after-service health benefits liability as at 31 December 2005 to be $36.2 million. The study was performed in accordance with the professional standards of the Canadian Institute of Actuaries and the Canadian Accounting Standards and in accordance with generally accepted actuarial principles.

37. ICAO does not accrue the liability. Payments made with regard to after-service health benefits in each financial period is reported as expenditure for that period. The Organization has not funded the liability and this issue has been brought to the attention of its governing body for consideration. The estimated liability is disclosed as a note to the financial statements.

Organizations for which no valuations have been conducted

38. No valuation has been conducted to show liabilities at 31 December 2005 for the United Nations Environment Programme, the United Nations Human Settlements Programme, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the World Trade Organization and the United Nations Office on Drugs and Crime.

United Nations A/61/792

General Assembly

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Sixty-first session
Agenda items 7 and 11

Organization of work, adoption of the agenda and allocation of items: reports of the General Committee

Prevention of armed conflict

Letter dated 28 December 2006 from the representatives of Burkina Faso, El Salvador, the Gambia, Honduras, Malawi, the Marshall Islands, Nauru, Nicaragua, Palau, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Sao Tome and Principe, Solomon Islands, Swaziland and Tuvalu to the President of the General Assembly

We regret that we were unable to see you personally to convey our gratitude for your excellent guidance of this very productive sixty-first session of the General Assembly. Please know that you have our continuing support.

We appreciate your prompt response to our letter of 3 October 2006 (A/61/534) requesting a legal opinion from the Office of Legal Affairs in connection with what we suggested were procedural errors at the 12 September 2006 meeting of the General Committee. In a meeting on 16 November 2006, two members of our group, Ambassador Crispin Grey-Johnson of the Gambia and Ambassador Stuart Beck of Palau, had a constructive informal consultation with the Legal Counsel and two of his colleagues.

At that meeting, it was suggested by the Office of Legal Affairs that the co-sponsors of proposals entitled "A proactive role for the United Nations in maintaining peace and security in East Asia" (A/61/193) and "Question of the representation and participation of the 23 million people of Taiwan in the United Nations" (A/61/194) had failed to raise points of order to protest the errors we asserted in our letter of 3 October. Assuming, for the purposes of argument, that points of order were not properly raised, we do not believe that such a misstep should be employed to cancel out the fundamental right of Member States to speak on issues of international friction, a right enshrined in the Charter of the United Nations.

We will therefore agree to disagree with the Office of Legal Affairs on its narrow, restrictive and, in our view, incorrect, interpretations of the rules of

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procedure. The United Nations is not a courtroom, but a universal deliberative body, and its core values must be interpreted to afford a climate of vigorous debate, particularly when such a debate is sought by 18 of its Member States.

It should be noted that the actions of the General Committee in the sixtieth and sixty-first sessions with regard to the subject proposals cannot be precedents for actions in next year's sixty-second session. In the sixtieth session, we acceded to a "two-by-two" debate format only as a courtesy to President Jan Eliasson. He explicitly stated in the General Assembly that "... the limitation of speakers was very much due to the enormous time pressure under which we were then working ... and the very special conditions that existed before the summit" (see A/60/PV.17) in response to the statement by Ambassador Collin Beck of the Solomon Islands that such restrictions prevented countries from presenting their views and marginalized them from the process. Ambassador Beck's statement that such a courtesy could not be deemed a precedent for future sessions of the General Committee was reiterated by Counsellor Omar Alhaji Fal of the Gambia. This year's "two-by-two" debate and amalgamation of the subject proposals were done without our consent and over our protest, regardless of the view that no point of order was raised. Obviously, we reserve our rights to argue these and related points at next year's session.

It would be highly appreciated if this letter could be circulated as a document of the General Assembly under agenda items 7 and 11.

(*Signed*) Michel **Kafando**
Permanent Representative
Permanent Mission of Burkina Faso to the United Nations

(*Signed*) César **Martínez Flores**
Chargé d'affaires a.i.
Permanent Mission of El Salvador to the United Nations

(*Signed*) Habib T. B. **Jarra**
Chargé d'affaires a.i.
Permanent Mission of the Gambia to the United Nations

(*Signed*) Iván **Romero-Martínez**
Permanent Representative
Permanent Mission of Honduras to the United Nations

(*Signed*) Steve Dick **Matenje**
Permanent Representative
Permanent Mission of the Republic of Malawi to the United Nations

(*Signed*) Alfred **Capelle**
Permanent Representative
Permanent Mission of the Republic of the Marshall Islands to the United Nations

(*Signed*) Marlene **Moses**
Permanent Representative
Permanent Mission of the Republic of Nauru to the United Nations

(*Signed*) Eduardo **Sevilla Somoza**
Permanent Representative
Permanent Mission of Nicaragua to the United Nations

(*Signed*) Stuart **Beck**
Permanent Representative
Permanent Mission of the Republic of Palau to the United Nations

(*Signed*) Carlisle **Richardson**
Chargé d'affaires a.i.
Permanent Mission of Saint Kitts and Nevis to the United Nations

(*Signed*) Margaret Hughes **Ferrari**
Permanent Representative
Permanent Mission of Saint Vincent and the Grenadines to the United Nations

(*Signed*) Domingos Augusto **Ferreira**
Chargé d'affaires a.i.
Permanent Mission of Sao Tome and Principe to the United Nations

(*Signed*) Collin D. **Beck**
Permanent Representative
Permanent Mission of Solomon Islands to the United Nations

(*Signed*) Phesheya Mbongeni **Dlamini**
Permanent Representative
Permanent Mission of the Kingdom of Swaziland to the United Nations

(*Signed*) Afelee **Pita**
Permanent Representative
Permanent Mission of Tuvalu to the United Nations

Annex to the identical letters dated 12 March 2007 from the Chargé d'affaires a.i. of the Permanent Mission of Lebanon to the United Nations addressed to the Secretary-General and the President of the Security Council

Re: Israeli violations, acts of aggression and activities from 1 to 7 March 2007, inclusive

Air violations

On 2 March 2007, between 1955 hours and 2250 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off Sidon in an easterly direction and circled over the southern regions. It then departed Lebanese airspace over Rumaysh.

On 3 March 2007, between 1833 hours and 2230 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off al-Naqura in an easterly direction and circled over the southern regions. It then departed Lebanese airspace over Rumaysh.

On the same date, at 2100 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over `Alma al-Sha`b in a northerly direction as far as Rayyaq and circled over it. It then departed Lebanese airspace over on 4 March 2007 at 0010 hours over Rumaysh.

On 4 March 2007, between 0805 hours and 1200 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off al-Naqura and circled over the regions of the South. It then departed Lebanese airspace over the sea off al-Naqura.

On the same date, between 1209 hours and 1230 hours, two enemy Israeli warplanes violated Lebanese airspace over the sea off Sidon in an easterly direction as far as the western Bekaa and returned in a westerly direction. They then departed Lebanese airspace over the sea off al-Sa`diyat.

On the same date, between 1245 hours and 1335 hours, two enemy Israeli warplanes violated Lebanese airspace over al-Naqura and circled over the sea between Beirut and Tyre. They then headed east as far as the western Bekaa and circled over it. They then headed south and departed Lebanese airspace over al-Naqura.

On the same date, between 1305 hours and 1340 hours, two enemy Israeli warplanes violated Lebanese airspace over the occupied Shab`a farmlands as far as Shikka. They headed east as far as al-Hirmil and the western Bekaa and circled over it. They then departed Lebanese airspace over the sea off Shikka.

On the same date, between 1755 hours and 2055 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off Bayada and circled over regions of the South. It then departed Lebanese airspace over al-Naqura.

On the same date, between 1824 hours and 2140 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off Tyre and circled over regions of the South. It then departed Lebanese airspace over `Alma al-Sha`b.

On 7 March 2007, between 0910 hours and 1325 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off Tyre and circled over the South region. It then departed Lebanese airspace over 'Alma al-Sha'b.

On the same date, between 1002 hours and 1045 hours, four enemy Israeli warplanes violated Lebanese airspace over the sea off Tyre as far as Nabatiya. They headed north as far as Tripoli, then returned as far as Juniya, and headed east as far as Rayyaq. They then departed Lebanese airspace over the sea off al-Naqura.

On the same date, between 1400 hours and 1805 hours, four enemy Israeli warplanes violated Lebanese airspace over the occupied Shab'a farmlands and circled over the South and the western Bekaa. They departed Lebanese airspace over said farmlands.

On the same date, between 1800 hours and 2155 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off al-Naqura in an easterly direction, and circled over regions of the South. It then departed Lebanese airspace over Rumaysh.

On the same date, between 1830 hours and 2205 hours, an enemy Israeli reconnaissance aircraft violated Lebanese airspace over the sea off al-Naqura and circled over regions of the South. It then departed Lebanese airspace over al-Naqura.

Sea violations

On 5 March 2007, at 0900 hours, an enemy Israeli military launch fired a number of rounds of medium machine-gun fire in the open sea off Ra's al-Naqura.

Field violations

On 2 March 2007, at 1130 hours, while Mahmud al-Hajj was riding a motorcycle collecting scrap metal near the 'Abbad outpost, he was stopped by an enemy Israeli patrol stationed inside occupied Palestinian territory. One of its personnel fired into the air and the others brandished their weapons in his direction and prevented him from leaving the spot. Members of the Indonesian unit stationed at the spot tried to detain him, but the enemy patrol prevented them. They then forced him to move along the border buffer strip and directed him towards Wadi Hunin. At 1730 hours, he was handed over to UNIFIL at the Naqura gate. At 1740 hours, the South intelligence branch took over his custody from the UNIFIL liaison unit. He was interrogated and released at 2230 hours.

On the same date, at 1740 hours, one of the personnel at the Israeli enemy's W-402 position (al-Labuna) threw a smoke bomb 10 metres inside Lebanese territory.

On 4 March 2007, at 1255 hours, on the Kafr Kila-'Adaysa public road, near a water crossing along the border strip, while a Ministry of Public Works and Transport vehicle containing civilians was passing, enemy Israeli personnel proceeded to cock their weapons and aim them in their direction for no reason. This prompted personnel at the Lebanese Army observer post (*lam mim* 10) to cock their weapons in the direction of enemy personnel, who took cover in nearby groves.

Israeli activities

On 4 March 2007, at 1415 hours, an enemy Israeli military launch fired several rounds of medium-weapons fire over the water in the open sea off Ra's al-Naqura inside Palestinian regional waters.

On 5 March 2007, between 0815 hours and 0835 hours, enemy Israeli forces fired light weapons from their Radar position inside the occupied Shab'a farmlands in the direction of the area around the position.

On the same date, at 1140 hours and until 1240 hours, enemy Israeli forces fired light weapons opposite the Labuna position (coordinate W-404), and at 1345 hours, Israeli forces opened fire at a suspicious area near position N-470 inside occupied Palestinian territory (opposite Kafr Kila).

On the same date, between 1245 hours and 1300 hours, enemy Israeli forces strafed the area around their position at Jabal Sammaq (opposite Kafr Shuba) with light automatic-weapons fire.

On the same date, at 1330 hours, the sound of an explosion was heard inside occupied Palestinian territory near the Saliha outpost (opposite the town of Marun al-Ra's).

On 7 March 2007, between 1150 hours and 1200 hours, enemy Israeli forces strafed the area around their position at Ramta inside the occupied Shab'a farmlands with light-weapons fire.

On the same date, between 2145 hours and 2200 hours, an enemy Israeli military launch fired five flare shells inside Palestinian waters in the open sea (off Ra's al-Naqura).

United Nations A/61/794

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Agenda item 29
Effects of atomic radiation

Letter dated 8 March 2007 from the Permanent Representative of Spain to the United Nations addressed to the President of the General Assembly

Pursuant to paragraph 14 of General Assembly resolution 61/109 on the effects of atomic radiation, I have the pleasure to confirm Spain's interest in becoming a member of the United Nations Scientific Committee on the Effects of Atomic Radiation. This interest was originally expressed in October 2006 by the Spanish delegation to the Fourth Committee.

The Government of Spain took this decision in the light of the Spanish scientific community's extensive experience and activity in the field of ionizing radiation and radiological safety, and the advanced state of Spain's legislation in this regard.

(*Signed*) Juan Antonio **Yáñez-Barnuevo**

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